

Forecast Council Working Session (August 31, 2023)

August 2023 King County Economic and Revenue Forecast

Office of Economic and Financial Analysis

Objective: Provide outline and detail around the August 2023 economic and revenue forecast update.

I. Economic changes

National

- 2023:2Q growth = 2.4% (advanced estimate), 1st quarter revised to 2.0%
- Employment adds in July =187K, slowing but solid
- July CPI inflation = 3.2%
- Housing prices continue to rise from winter low (median existing home price +1.9%, yoy)
- Fiscal changes/policy-potential government shutdown later this year
- Fed continues to tighten (rate range at 5.25%-5.5%, more increases possible)
- Risks include virus variants, Ukraine, usual background risks

King County

- Employment growth solid as economy recovers (2023:2Q was +2.6%)
- Taxable sales up 4.8% in June (relative to 2022)
- Seattle housing index down 11.3% in May 2023 (yoy)

Impacts to Economic and Revenue Forecast

- AV update from the Assessor
- Modest countywide and unincorporated AV revisions
- New construction revised down a little
- Sales taxes revised up a small amount
- Rest mostly minor changes

2. Revenue Forecast

Assessed Value

- About 45% of parcels reporting as of mid-August
- Residential down about 11%-13%
- Commercial up about 7%-9%, but negative major office to come
- Condos up about 8%-12%
- So 2024 countywide AV is likely to be about 5%-7% below last year
- Unincorporated is likely to be down about 10%-12% in 2024

Assessed Value (cont.)

Change from July:

-Revised up for both Countywide and Unincorporated in 2024 and beyond

New Construction

- New Construction-July value based on another solid year of construction taxable sales, construction employment holding up, permits down significantly
- DOA estimated they had about \$9B based on where they were week of 8/1/22

Change from July:

-Revised down for Countywide/Uninc, relatively small revenue impacts

Sales Taxes

- Growth in taxable sales solid in May (+7.7% yoy) and slower in June (+4.8% yoy)
- Forecasting about 3.9% taxable sales growth in 2023 and 3.4% in 2024

Change from July:

-Growth of taxable sales revised up a little for 2023 and beyond

-Local (1%) revised up reflecting actuals/taxable sales

-Metro/MIDD/CJ values also revised up on actuals/taxable sales

-Near-term hotel tax forecast increased on recent strength

Other

- REET-small changes
- Investment Pool-small changes
- Inflation-minor changes

Property Taxes

- Property tax changes mostly small decreases due to NC revision
- VSHSL, CCC and CF levies revised up about 1% due to higher 2024 AV forecast
- IPD is up a lot (3.7% yoy in 2Q) and so no substantial need ordinance likely required

Change from July:

-Most levies saw small decrease

-VSHSL, CCC and CF levies revised up reflecting higher forecast AV

-Small changes for the UAL/Roads levy